

Friday, January 19th, 2007

15 Days: That's how long it took for the new Democratic majority to pass a straight-up tax increase. Only 15 days. In this case, the bill carved out domestic producers of oil and gas and increased their income tax rates above those of other manufacturing businesses. It hits both the big oil companies and the small, independent producers as well. In addition to just being bad policy, this will increase the cost of domestic production and therefore make foreign produced oil cheaper on a relative basis. It will also raise the cost of natural gas from which most of California's electricity is generated.

What did they do with this new found revenue? Spend it, of course. Despite their cries to reduce the deficit, they have taken just 2 weeks to show that they want to spend more money, and tax you to pay for it. Now I have been publicly critical of the spending habits of the Republican majority in the past few years, but spending even more money and raising taxes is not any better.

The other bill of the "100 hours" agenda considered this week was an interest rates cut on student loans to ostensibly make college more affordable. But the facts of what the bill actually does are different than the spin. The bill cuts student loans in half, but only for 6 months, 5 years from now. For the rest of the time the loan rates will be at current rates or somewhere in between. Also, it raises fees on student loans by an equivalent amount to the interest rate cut so there is no net savings for the government or recipients. Furthermore, it doesn't help a single student pay for college while they are there since the rate cut only applies once you have graduated. So, this was political hype rather than effective policy. There is a real problem here. Since 1992, college tuition has increased by 86% in public universities and 52% in private universities. This is nearly 4 times the rate of inflation and is one of the fastest growing costs in society.

100 Hours that changed nothing: So, the 100 hours are thankfully now over. The new Democrat majority passed all of their agenda out of the House, but, will any of this actually become law? Here are the prospects:

- Ethics Reform: These changes (easier to raise taxes, gift ban, some earmark disclosure, etc.) are House rules and do not require Senate approval or a presidential signature. They are in effect now. The Senate yesterday passed their own, and different, set of new ethics rules.

- 9/11 Commission recommendations: Prospects for this bill in the Senate are unclear at this time because, unlike the House, they plan to carefully look at the issues and use the committee process.
- Minimum Wage Increase: The Senate has made it clear that they will not pass a minimum wage increase without some new tax credits to help small businesses. However, House Ways and Means Committee Chairman Charles Rangel (D-NY) has said that he will not allow any tax credits to pass in the House. So, there is gridlock amongst the two chambers, and now it seems unlikely that anything will make its way to the president's desk.
- Federal Funding for Embryonic Stem Cell research: This bill is identical to one that passed the House last year, but it was vetoed by the president. The president has said he will veto it again, and the number of supporters it had in the House was more than 30 votes short the amount need to overturn a veto. So, this will likely not become law.
- Government negotiation of drug prices instead of efficient market: This is unlikely to pass the Senate. But even if it did, the president has said he will veto it, so this will not become law.
- Student loan bill: The Senate is pursuing a completely different strategy here. So, this will likely windup in a conference committee and any outcome will be very different from what was passed in the House.
- Tax and spending increase on oil and gas: This again is unlikely to pass in the Senate, but if it did the president has said he would veto it.

So, it will be the 100 hours that changed nothing. Why? Because Pelosi's leadership team drew these bills up all by themselves with no input from Republicans, the White House, Senators or anyone else. That is a great way to make press releases, but it will never form bipartisan or bicameral policy. Good thing. None of this deserves to become law.

Until next week, I remain respectfully,

Congressman John Campbell